

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6028

BILL NUMBER: HB 1454

DATE PREPARED: Nov 9, 2000

BILL AMENDED:

SUBJECT: Tax payments during disputes over assessments.

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill provides that pending resolution of a disputed personal property assessment, the taxpayer pays tax on an amount based on the immediately preceding year's assessment of personal property.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, taxpayers are not required to make property tax payments on disputed property values until the end of the appeal process. For personal property, the taxpayer is required to make payments based on the assessed value, as reported by the taxpayer and not in dispute, on the personal property tax return.

Under this bill, the required payment would instead be based on the taxpayer's personal property assessment in the immediately preceding year. Appellant personal property taxpayers would be required to make property tax payments based on a higher valuation than under current law.

Currently, taxpayers who pay the tax on the disputed amount and then prevail in property tax appeals may file a refund claim with the county auditor. Interest on the refund is paid at a rate of 6% per year. In general, property tax refunds reduce a future property tax distribution to the civil taxing units and school corporations to which the taxes were distributed. Payments of any remaining tax when the taxpayer does not prevail on appeal are made with interest at a rate of 10% per year.

The higher payment basis required under this bill would have one of two effects, depending on the outcome of the appeal. Under both scenarios, local civil taxing units and school corporations would receive more of their expected levy while the appeal is pending. If the taxpayer prevails in the appeal, the refund due the taxpayer would be larger than under current law. This in turn would also increase the local expense for interest. The larger refund and interest payment would mean a larger reduction in future property tax distributions. If the taxpayer does not prevail in the appeal, then the local units will have had the benefit of better cash flow during the appeal without having to make a refund.

The actual fiscal impact will vary depending on the size and outcome of pending and future property tax appeals.

State Agencies Affected:

Local Agencies Affected: Local civil taxing units and school corporations.

Information Sources: